CARDERO RESOURCE CORP.
(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

Nine Months Ended July 31 2013 and 2012

<u>Corporate Head Office</u>

Suite 2300 – 1177 West Hastings Street
Vancouver, British Columbia
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Tel: 604-408-7488

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3(a)), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

For further information, please contact:

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CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Consolidated Financial Statements
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July 31, 2013 and 2012

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CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

		July 31, 2013		October 31, 2012
ASSETS				
Current				
Cash	$	822,507	$	2,142,499
Accounts receivable		912,220		5,612,772
Due from related parties (note 8)		415,173		523,612
Prepaid expenses		324,189		597,561
Total Current Assets		2,474,089		8,876,444
Property, Plant and Equipment (note 3)		1,017,610		1,412,763
Investments (note 4)		567,588		2,571,811
Exploration and Evaluation Advances		130,000		262,500
Exploration and Evaluation Assets (note 5)		81,039,868		88,323,788
Deposits		4,906,636		4,854,136
Total Assets	$	90,135,791	$	106,301,442
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	4,782,532	$	8,794,157
Short-term loan and interest payable (note 6 and 11)		5,327,708		-
Flow-through premium liabilities (note 7 (a(ii)))		364,499		-
		10,474,739		8,794,157
Lease obligation		-		280,606
Total Liabilities		10,474,739		9,074,763
SHAREHOLDERS' EQUITY				
Share Capital (note 7)		125,528,040		117,070,689
Contributed Surplus		22,046,970		22,278,360
Accumulated Other Comprehensive Income		(106,304)		(166,363)
Deficit		(67,807,654)		(41,956,007)
Total Shareholders' Equity		79,661,052		97,226,679
Total Liabilities and Shareholders' Equity	$	90,135,791	$	106,301,442

Subsequent Events (note 11)
Going Concern (note 1)

Approved on behalf of the Board:

"Hendrik Van Alphen"
Hendrik Van Alphen, Director

"Stephan Fitch"
Stephan Fitch, Director

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Consolidated Statements of Loss
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Three Months Ended July 31		**Nine Months Ended July 31**	
	2013	**2012**	**2013**	**2012**
Bad debts	$ -	$ -	$ $ -	$ - 18,820
Consulting fees (note 8)	485,382	225,206	998,396	899,474
Corporate development	21,172	69,592	167,942	247,376
Depreciation	59,414	95,982	177,973	275,435
Insurance	57,074	28,514	161,848	82,335
Investor relations	20,768	167,311	142,596	550,069
Office costs	179,104	265,264	623,430	790,944
Professional fees (note 8)	474,557	508,661	1,474,733	1,215,986
Property evaluations	11,791	159,815	137,409	516,354
Regulatory and transfer agent fees	21,539	45,605	116,551	165,755
Salaries and benefits	1,119,242	965,291	2,894,397	4,158,500
Travel	39,241	154,239	226,699	404,132
Operating loss	(2,489,284)	(2,685,480)	(7,121,974)	(9,325,180)
Other Items				
Other income	16,617	-	394,542	-
Foreign exchange gain (loss)	(22,844)	55,203	(228,885)	(92,965)
Interest income (expenses) (note 6)	(575,832)	10,498	(608,512)	151,378
Realized gain on sale of available-for-sale investments (note 4)	-	1,250,207	17,230	11,624,925
Unrealized loss on derivative investment (note 4)	(51,564)	(1,302,596)	(468,287)	(911,627)
Unrealized loss on fair value through profit or loss investment (note 4)	(2,250)	(71,250)	(18,750)	(43,750)
Impairment losses on available-for-sale investments (note 4)	(241,454)	(231,019)	(1,353,989)	(351,667)
Impairment of exploration and evaluation assets (note 5)	(12,736,509	-	(16,511,763)	-
Gain on loan settlement	-	-	-	1,368,953
	(13,613,836)	(288,957)	(18,778,414)	11,745,247
Income (Loss) Before Income Taxes	(16,103,120)	(2,974,437)	(25,900,388)	2,420,067
Income Taxes				
Deferred recovery (expense)	11,442	(954,099)	48,741	(2,126,867)
Net Income (Loss) for Period	(16,091,678)	(3,928,536)	(25,851,647)	293,200
Basic and diluted loss per share	$ (0.14)	$ (0.04)	$ (0.24)	$ 0.00
Weighted Average Number of Shares Outstanding	113,291,487	92,296,889	107,715,385	90,954,486

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Three Months Ended July 31		Nine Months Ended July 31	
	2013	**2012**	**2013**	**2012**
Net Income (Loss) for the Period	$ (16,091,678)	$ (3,928,536)	$ (25,851,647)	$ 293,200
Other comprehensive income (loss), net of deferred taxes				
Exchange differences on translation of foreign operations	253,860	4,153	445,410	(163,257)
Other comprehensive income (loss) on available-for-sale securities	(13,440)	(5,317,635)	(46,620)	(13,785,083)
Other Comprehensive Income (Loss) for the Period, net of deferred taxes	240,420	(5,313,482)	398,790	(13,948,340)
Comprehensive Loss for the Period	$ (15,851,258)	$ (9,242,018)	$ (25,452,857)	$ (13,655,140)

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Consolidated Statements of Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Share Capital				Accumulated Other Comprehensive Income		
	Shares	**Amount**	**Deficit**	**Contributed Surplus**	**Functional Currency Translation**	**Available-for-Sale Investments**	**Total Shareholders' Equity**
Balance, October 31, 2011	**83,054,104**	**$ 107,237,122**	**$ (30,361,908)**	**$ 19,775,985**	**$ (88,920)**	**$ 7,877,799**	**$ 104,440,078**
Net loss for the period	-	-	4,221,736	-	-	-	4,221,736
Other comprehensive income							
Unrealized loss on available-for-sale investments	-	-	-	-	-	(9,794,696)	(9,794,696)
Transfer to income of realized gain on sale investments	-	-	-	-	-	1,327,248	1,327,248
Functional currency translation	-	-	-	-	(167,410)	-	(167,410)
Shares issued for cash							
Private placement	8,029,750	7,628,263	-	-	-	-	7,628,263
Allocation of proceeds to warrants	-	(699,257)	-	699,257	-	-	-
Exercise warrants	693,600	288,657	-	-	-	-	288,657
Shares issued for non-cash							
Reclassification of contributed surplus on exercise of warrants	-	754,651	-	(754,651)	-	-	-
Share-based payments	-	-	-	2,181,487	-	-	2,181,487
Balance, April 30, 2012	91,777,454	$ 115,209,436	$ (26,140,172)	$ 21,902,078	$ (256,330)	$ (589,649)	$ 110,125,363
Net loss for the period	-	-	(15,815,835)	-	-	-	(15,815,835)
Other comprehensive income							
Transfer to income of realized gain on sale investments	-	-	-	-	-	571,939	571,939
Functional currency translations	-	-	-	-	107,677	-	107,677
Shares issued for cash	-	-	-	-	-	-	-
Private placement	-	-	-	-	-	-	-
Exercise warrants	639,000	168,562	-	-	-	-	168,562
Shares issued costs	-	-	-	-	-	-	-
Shares issued for non-cash							
Property acquisition	1,000,000	900,000	-	-	-	-	900,000
Reclassification of contributed surplus on exercise of warrants	-	792,691	-	(792,691)	-	-	-
Share-based payments	-	-	-	1,168,973	-	-	1,168,973
Balance, October 31, 2012	**93,416,454**	**$ 117,070,689**	**$ (41,956,007)**	**$ 22,278,360**	**$ (148,653)**	**$ (17,710)**	**$ 97,226,679**

See Notes to the Condensed Interim Consolidated Financial Statements

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Consolidated Statements of Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Share Capital				Accumulated Other Comprehensive Income		
	Shares	**Amount**	**Deficit**	**Contributed Surplus**	**Functional Currency Translation**	**Available-for-Sale Investments**	**Total Shareholders' Equity**
Balance, October 31, 2012 (carried forward)	**93,416,454**	**$ 117,070,689**	**$ (41,956,007)**	**$ 22,278,360**	**$ (148,653)**	**$ (17,710)**	**$ 97,226,679**
Net loss for the period	-	-	(25,851,647)	-	-	-	(25,851,647)
Other comprehensive income							
Unrealized loss on available-for-sale investments	-	-	-	-	-	(39,410)	(39,410)
Functional currency translation	-	-	-	-	99,469	-	99,469
Shares issued for cash							
Private placement	16,439,816	7,277,903	-	-	-	-	7,277,903
Exercise warrants	480,000	60,000	-	-	-	-	60,000
Exercise options	200,000	12,500	-	-	-	-	12,500
Shares issued costs	-	(466,452)	-	47,973	-	-	(418,479)
Shares issued for non-cash							
Property acquisition	900,000	203,000	-	-	-	-	203,000
Short-term loan	2,000,000	420,000	-	-	-	-	420,000
Reclassification of contributed surplus on exercise of warrants	-	662,400	-	(662,400)	-	-	-
Reclassification of contributed surplus on exercise of options	-	288,000	-	(288,000)	-	-	-
Share-based payments	-	-	-	671,037	-	-	671,037
Balance, July 31, 2013	**113,436,270**	**$ 125,528,040**	**$ (67,807,654)**	**$ 22,046,970**	**$ (49,184)**	**$ (57,120)**	**$ 79,661,052**

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)
Nine Months ended July 31

	2013	2012
Operating Activities		
Net income (loss)for the period	$ (25,851,647)	$ 293,200
Items not involving cash		
Accretion expense	233,467	-
Bad debts	-	18,820
Depreciation	177,973	275,435
Share-based payments (note 7)	671,036	2,433,203
Realized gain on sale of available-for-sale investments (note 4)	(17,230)	(11,624,925)
Impairment losses on available-for-sale investments (note 4)	1,353,989	351,667
Unrealized gain on fair value through profit or loss investment (note 4)	18,750	43,750
Gain on loan settlement	-	(1,368,953)
Unrealized loss (gain) on derivative investments (note 4)	468,287	911,627
Write-off of exploration and evaluation assets	16,511,763	-
Deferred income taxes expense	(48,741)	2,126,867
Unrealized foreign exchange loss	47,102	(4,988)
Foreign exchange loss on cash	(5,002)	-
Changes in non-cash working capital items		
Interest payable	383,741	-
Prepaid expenses	273,372	(458,304)
Due from related parties	108,439	(557,157)
Accounts payable and accrued liabilities	467,381	921,692
Cash Used in Operating Activities	(5,207,320)	(6,638,066)
Investing Activities		
Expenditures on exploration and evaluation assets	(13,512,688)	(25,645,781)
Decrease (Increase) in deposits	(52,500)	(4,600,000)
Proceeds from sale of investments	126,991	29,841,070
Purchase of investments	-	(262,114)
Purchase of property, plant and equipment	184,592	(499,375)
Loan receivable	-	4,886,633
Accounts receivable (BCMETC and HST)	4,700,553	(334,901)
Cash Provided by (Used in) Investing Activities	(8,553,052)	3,385,532
Financing Activities		
Proceeds from shares issued, net of issuance costs	7,770,459	8,057,919
Share issue costs	(418,479)	-
Short-term loan	5,083,398	-
Cash Provided by Financing Activities	12,435,378	8,057,919
Effect of Foreign Exchange on Cash	5,002	4,988
Increase (decrease) in Cash	(1,319,992)	4,810,373
Cash, Beginning of the Period	2,142,499	5,985,634
Cash, End of the Period	$ 822,507	$ 10,796,007

Supplemental cash flow information (note 10)

1. NATURE OF OPERATIONS AND GOING CONCERN

Cardero Resource Corp. ("Cardero" or the "Company") and its subsidiaries are engaged in the exploration of mineral properties, primarily in Canada and Ghana. The Company considers itself to be an exploration stage company.

The Company is a public company with shares listed on the TSX Exchange, the NYSE MKT and the Frankfurt Stock Exchange. The head office and principal address of the Company are located at 1177 West Hastings Street, Suite 2300, Vancouver, British Columbia, Canada, V6E 2K3.

Going Concern

While these condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations, realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, there are events and conditions that raise substantial doubt on the validity of that assumption. During the nine months ended July 31, 2013, the Company incurred a loss of $25,851,647, as at July 31, 2013 has an accumulated deficit of $67,807,654 and has a working capital deficit of $8,000,650. The Company will require additional funding to maintain its ongoing exploration programs and property commitments and for administrative purposes.

While the Company has been successful in obtaining its required funding in the past, there is no assurance that sufficient funds will be available to the Company in the future. The Company has no assurance that such financing will be available or be available on favorable terms. Factors that could affect the availability of financing include the progress and results of the Company's exploration properties and its permitting application, the state of international debt and equity markets, investor perceptions and expectations and the global financial and iron ore and metallurgical coal markets. The Company anticipates that it will require additional financing through, but not limited to, the issuance of additional equity in order to fund its ongoing exploration. There can be no assurance the Company will be successful in this endeavor.

These condensed interim consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities in the normal course of operations. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

<u>Statement of compliance</u>

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "*Interim Financial Reporting*". These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements, except for the policy noted below. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended October 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale or fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting.

The Board of Directors approved the condensed interim consolidated financial statements on Sept. 11, 2013.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company allocates the flow-through share into i) capital stock, and ii) a flow-through share premium, equal to the estimated premium if any, which is recognized as a liability. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax recovery for the amount of tax reduction renounced to the shareholders. The premium is recognized as a deferred income tax recovery and the resulting deferred tax is recognized as a tax provision.

The Company is required to spend the proceeds received from the issuance of flow-through shares on Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share liability.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

3. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment and Software	Office Equipment	Vehicles	Metallurgy Lab	Building	Leasehold Improvements	Total
Cost							
Balance, October 31, 2012	$ 413,978	$ 307,596	$ 462,690	$ 546,267	$ 231,337	$ 378,184	$ 2,340,052
Additions	4,408	-	-	47,192	-	-	51,600
Disposals	-	-	(307,253)	-	-	-	(307,253)
Currency translation adjustments	-	-	-	17,050	-	-	17,050
Balance, July 31, 2013	**$** 418,386	$ 307,596	$ 155,437	$ 610,509	$ 231,337	$ 378,184	$ 2,101,449
Accumulated depreciation							
Balance, October 31, 2012	$ 323,428	$ 104,795	$ 36,869	$ 211,467	$ 19,178	$ 231,552	$ 927,289
Depreciation for the period	22,205	26,885	50,588	87,683	17,379	11,469	216,209
Disposals			(58,719)				(58,719)
Currency translation adjustments	-	(1,808)	(3,312)	9,862	(5,682)	-	(940)
Balance, July 31, 2013	$ 345,633	$ 129,872	$ 25,426	$ 309,012	$ 30,875	$ 243,021	$ 1,083,839
Carrying amounts							
At October 31, 2012	$ 90,550	$ 202,801	$ 425,821	$ 334,800	$ 212,159	$ 146,632	$ 1,412,763
At July 31, 2013	$ 72,753	$ 177,724	$ 130,011	$ 301,497	$ 200,462	$ 135,163	$ 1,017,610

(Expressed in Canadian Dollars)

4. INVESTMENTS

	Shares			Warrants			
July 31, 2013	**Number**		**Fair Value**	**Number**		**Fair Value**	**Total**
Trevali Mining Corporation ("Trevali")	-	$	-	2,074,761	$	26,670	$ 26,670
Wealth Minerals Ltd. ("Wealth")	5,022,806		175,798	-		-	175,798
Dorato Resources Inc. ("Dorato")	2,536,000		25,360	-		-	25,360
Indico Resources Ltd. ("Indico")	50,000		4,000	-		-	4,000
Balmoral Resources Ltd. ("Balmoral")	128,000		60,160	-		-	60,160
Abzu Gold Inc. ("Abzu Gold")	9,234,007		230,850	-		-	230,850
Artha Resources Corporation ("Artha")	2,150,000		21,500	-		-	21,500
Ethos Capital Corp.("Ethos")	150,000		23,250	-		-	23,250
		$	540,918		$	26,670	$ 567,588

	Shares			Warrants			
October 31, 2012	**Number**		**Fair Value**	**Number**		**Fair Value**	**Total**
Trevali	-	$	-	2,074,761	$	494,957	$ 494,957
Wealth	5,022,806		577,623	-		-	577,623
Dorato	2,536,000		202,880	-		-	202,880
Indico	50,000		11,000	-		-	11,000
Balmoral	240,000		223,200	-		-	223,200
Abzu Gold	9,234,007		923,401	-		-	923,401
Artha	2,150,000		96,750	-		-	96,750
Ethos	150,000		42,000	-		-	42,000
		$	2,076,854		$	494,957	$ 2,571,811

All the resource related companies, with the exception of Trevali, Dorato, Abzu Gold and Artha, are considered to be related parties by virtue of having directors and/or officers in common. All investments in shares are classified as available-for-sale under the financial instruments classification except for the investment in Ethos, which is classified as fair value through profit or loss. As investments in warrants are considered to be derivative instruments, they are by definition classified as fair value through profit or loss.

During the nine months ended July 31, 2013, the Company sold investments for net proceeds of $126,991 (2012 - $29,841,070) at a cost of $109,761 (2012 - $18,216,145) for net realized gain on sale of $17,230 (2012 - $11,624,925). The Company recognized impairment losses on available for sale investments of $1,353,989 (2012 - $351,667) due to a significant decline in the fair value of the investments. This impairment loss was recorded in the condensed consolidated statement of loss.

During the nine months ended July 31, 2013, the Company recorded an unrealized loss on the fair value adjustment of derivatives of $468,287 (2012 – $911,627).

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

The Company's capitalized acquisition and exploration expenditures on its exploration and evaluation assets are as follows:

	U.S.A. (note 5(a))	Ghana	Canada	Total
Balance, October 31, 2012	**$ 3,770,227**	**$ 11,436,626**	**$ 73,116,935**	**$ 88,323,788**
Acquisition costs:				
Acquisition costs – shares	-	135,000	68,000	203,000
Acquisition costs – cash	557	631,885	5,125,760	5,758,202
Total acquisition costs	557	766,885	5,193,760	5,961,202
Deferred exploration costs:				
Camp	4,470	146,058	317,800	468,328
Metallurgical	-	89,619	-	89,619
Environmental	-	-	853,094	853,094
Drilling	-	-	120,363	120,363
Assays	-	135,541	290,223	425,764
Studies & Report Preparation	-	-	786,328	786,328
Personnel and geology	-	161,780	152,781	314,561
Geophysics	-	-	2,750	2,750
Geotechnical	-	-	205,834	205,834
Total exploration costs	4,470	532,998	2,729,173	3,266,641
Total expenditures for the period	5,027	1,299,883	7,922,933	9,227,843
Impairment losses – Acquisition costs	(353,540)	(6,820,013)	-	(7,173,553)
Impairment losses – Exploration costs	(3,421,714)	(5,916,496)	-	(9,338,210)
Total impairment losses	(3,775,254)	(12,736,509)	-	(16,511,763)
Balance, July 31, 2013	**$ -**	**$ -**	**$ 81,039,868**	**$ 81,039,868**

(a) United States of America

The Company determined that no further exploration will be done on the TiTac and Longnose properties. The Company intends to maintain the properties in good standing, while it seeks a buyer or other investment partner for the properties. In the absence of any definitive arrangements for such disposal or investment partner at this time, the Company determined that the carrying value of the properties was impaired and wrote off cumulative costs incurred to date of $3,775,254 as an impairment charge in the condensed consolidated statement of loss.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) Canada

i) Johnson Agreement

On May 18, 2010, Cardero Coal Ltd. (a wholly owned subsidiary of the Company ("Cardero Coal")) entered into a Coal Tenure Option Agreement, as amended on April 14, 2011, January 14, 2013 and April 12, 2013, ("Johnson Agreement") to acquire, subject to the issuance by the BC Government of certain coal licenses ("Johnson Licenses") in respect of a coal license application over an area located in the Peace River Land District of British Columbia (4 coal licenses issued June 14, 2012), all of the shares ("Shares") of a private Alberta company which holds such coal licenses. Consideration for the acquisition of a 100% interest in the Shares consisted of the following payments, share issuance and option grant:

- $75,000 on execution of the Johnson Agreement (paid), an additional $275,000 on or before June 24, 2010 (paid) and a final payment of $5,000,000 due within four months of the date of issuance of the Johnson Licenses (October 14, 2012). As permitted by the Johnson Agreement, Cardero Coal extended the deadline for the final payment from October 14, 2012 until January 14, 2013 by paying $20,000 per month. The deadline was further extended to April 14, 2013 by Cardero Coal paying a non-refundable cash deposit of $1,000,000 on January 14, 2013 (paid), plus an additional $20,000 per month for each month's extension ($60,000 paid in total). The deadline was further extended to April 22, 2013 upon payment of a further non-refundable cash deposit of $1,000,000 (paid April 12, 2013). On April 22, 2013, Cardero Coal exercised the option and paid the balance of $3,000,000. Immediately following the exercise of option, the private company was wound up and the coal licenses and other assets of the private company were transferred to Cardero Coal and thereby became part of the Carbon Creek Joint Venture;

- issuance of 400,000 common shares (issued) of the Company concurrently with the $3,000,000 final option payment; and

- grant of an option to acquire 1,000,000 common shares of Cardero Coal at an exercise price of $0.15 per share (granted). The option was exercised on March 9, 2011 (prior to the acquisition of Cardero Coal by the Company).

(c) Ghana

During the nine months period ended July 31, 201 the Company determined that no further exploration will be done on the Middle Sheini and Sheini South properties. To the extent it is able to do so, the Company intends to maintain the properties in good standing, while it seeks a buyer or other investment partner for the properties. In the absence of any definitive arrangements for such disposal or investment partner at this time, the Company determined that the carrying value of the properties was impaired and wrote off cumulative costs incurred to date of $12,736,509 as an impairment charge in the condensed consolidated statement of loss.

6. SHORT-TERM LOAN

On April 22, 2013, the Company completed a placement of senior secured notes ("Notes") in the aggregate principal amount of USD 5,500,000 with certain affiliates of Luxor Capital Group, LP. ("Luxor"). The Notes have a one year term and were issued at a 9.1% discount to net the Company USD 5,000,000 ($5,083,398) with interest accruing at the rate of 10% per annum, payable semi-annually (13% after an event of default). The Notes are secured by a general security agreement over the assets of the Company, as well as a specific pledge of the shares of Cardero Coal. Cardero Coal also provided a corporate guarantee. The Notes may be redeemed by the Company at any time at par plus accrued interest. Should there be a change of control of Cardero Coal while the Notes remain outstanding the holders of the Notes will have the right to put the Notes to the Company for an amount equal to 110% of par plus accrued interest.

(Expressed in Canadian Dollars)

6. SHORT-TERM LOAN (Continued)

As a bonus for subscribing for and purchasing the Notes, the holders of the Notes were issued an aggregate of 2,000,000 common shares of the Company (the "Bonus Shares"). The Bonus Shares are subject to a hold period in Canada until August 25, 2013, plus additional restrictions under United States securities laws.

On August 9, 2013, the Company paid in full the outstanding indebtedness to Luxor (Note 11(a)).

At July 31, 2013, short-term loan transactions are as follows:

	2013	2012
Short-term loan	**$ 5,643,550**	**$ -**
9.1% discount	(513,050)	-
Bonus shares	(420,000)	-
Interest payable	383,741	-
Accretion expenses	233,467	-
Balance at July 31, 2013	**$ 5,327,708**	**$ -**

7. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

(b) Share issuances

During the nine months ended July 31, 2013:

i. On December 19, 2012, the Company completed a non-brokered private placement pursuant to which the Company sold 7,966,794 shares for gross proceeds of $3,585,057. The Company paid cash finder's fees of $51,608 and issued 114,000 finder's warrants with each finder's warrant exercisable to purchase one share at a price of $0.50 until December 19, 2013. All common shares issued have a hold period expiring on April 19, 2013.

ii. On December 28, 2012, the Company closed a non-brokered private placement of flow-through common shares. The Company issued 6,000,800 flow-through common shares at a price of $0.50 per share for gross proceeds of $3,000,400. All common shares issued have a hold period expiring on April 28, 2013. The Company paid aggregate finder's fees of $175,824 in cash plus 351,648 finder's warrants. Each finder's warrant is exercisable to purchase one non-flow-through common share at $0.55 per share until December 28, 2013. The Company recorded a flow-through premium liability in the amount of $420,056.

iii. On January 11, 2013, the Company issued 240,000 common shares on exercise of 240,000 warrants for gross proceeds of $30,000.

iv. On February 8, 2013, the Company closed the second and final tranche of the non-brokered private placement, issuing 2,472,222 common shares for gross proceeds of $1,112,500. The Company paid cash finder's fees of $55,626 and issued 123,610 finder's warrants with each finder's warrant exercisable to purchase one common share at a price of $0.50 until February 8, 2014.

v. On March 11, 2013, the Company issued 500,000 common shares with a fair value of $135,000 as a finder's fee in connection with the acquisition of the Sheini project in Ghana (note 5).

vi. On April 19, 2013, the Company issued 400,000 common shares with a fair value of $68,000 in connection with the exercise by Cardero Coal of the option to acquire the Shares (note 5(b)(i)).

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

(b) Share issuances (cont'd)

vii. On April 25, 2013, the Company issued 2,000,000 common shares to affiliates of Luxor Capital Group, LP. ("Lenders") as bonus in connection with a placement of senior secured notes in the aggregate principal amount of USD 5,500,000 to the Lenders (note 6).

viii. On May 29, 2013, the Company issued 240,000 common shares on exercise of 240,000 warrants for gross proceeds of $30,000.

ix. On June 3, 2013, the Company issued 200,000 common shares on exercise of 200,000 options for gross proceeds of $12,500.

(c) Share purchase warrants

The following common share purchase warrants entitle the holders thereof to purchase one common share for each warrant. Warrants transactions are as follows:

	July 31, 2013		**October 31, 2012**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of the period	6,094,875	$ 0.96	3,412,600	$ 0.39
Issued	589,258	$ 0.53	4,014,875	$ 1.25
Exercised	(480,000)	$(0.13)	(1,332,600)	$(0.34)
Expired	(5,614,875)	$(1.25)	-	$ -
Warrants outstanding, end of the period	589,258	$ 0.53	6,094,875	$ 0.96

The weighted average remaining contractual life of warrants outstanding at July 31, 2013 was 0.44 year (October 31, 2012 – 0.24 year).

Warrants outstanding are as follows:

	July 31, 2013		**October 31, 2012**	
Expiry Date	Exercise Price	Number of Warrants	Exercise Price	Number of Warrants
November 29, 2012	$ -	-	$ 1.25	4,014,875
January 12, 2013	$ -	-	$ 0.13	240,000
May 29, 2013 (note 11)	$ -	-	$ 0.13	240,000
June 1, 2013 (note 11)	$ -	-	$ 0.50	1,600,000
December 19, 2013	$ 0.50	114,000	$ -	-
December 28, 2013	$ 0.55	351,648	$ -	-
February 8, 2014	$ 0.50	123,610	$ -	-
		589,258		6,094,875

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

(d) Stock options

The Company has a stock option plan whereby the Company may grant options to directors, officers, employees and consultants to purchase common shares, provided that the aggregate number of shares subject to such options may not exceed 10% of the common shares outstanding at the time of any grant (not including agent or broker options, which are not granted under the stock option plan). The exercise price of each option is required to be set at the higher of the closing price of the Company's common shares on the trading day prior to the date of grant and the five-day volume-weighted average trading price on the TSX for the five trading days prior to the date of grant (without any discounts). The option term and vesting period is determined by the Board of Directors within regulatory guidelines (the maximum term is ten years). All options are recorded at fair value when granted and are fully vested at the date for grant. A summary of the status of the stock option plan as of July 31, 2013 and October 31, 2012 and changes during the periods ended on those dates is presented below:

	July 31, 2013		**October 31, 2012**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of the period	9,566,143	$ 0.98	6,599,143	$ 1.04
Granted	10,410,000	$ 0.14	6,537,000	$ 1.05
Exercised	(200,000)	$ 0.06	114,000	$ -
Expired	(8,491,143)	$ 0.98	(3,570,000)	$ 1.21
Options outstanding, end of the period	11,285,000	$ 0.22	9,566,143	$ 0.98

The weighted average remaining contractual life of options outstanding at July 31, 2013 was 5.18 year (October 31, 2012 – 1.19 years).

Stock options outstanding are as follows:

	July 31, 2013			**October 31, 2012**		
Expiry Date	Exercise Price	Number of Options	Exercisable at Period End	Exercise Price	Number of Options	Exercisable at Year End
January 28, 2013	$ -	-	-	$ 1.83	1,000,000	1,000,000
June 1, 2013 (note 11)	$ -	-	-	$ 0.06	280,000	140,000
June 1, 2013(note 11)	$ -	-	-	$ 0.16	100,000	50,000
June 1, 2013(note 11)	$ -	-	-	$ 0.31	320,000	160,000
June 1, 2013(note 11)	$ -	-	-	$ 0.38	980,000	490,000
June 1, 2013(note 11)	$ -	-	-	$ 0.44	349,143	174,572
November 9, 2013	$ 1.10	400,000	400,000	$ 1.10	1,400,000	1,400,000
January 26, 2014	$ 1.51	225,000	225,000	$ 1.51	1,500,000	1,500,000
March 23, 2014	$ 1.16	25,000	25,000	$ 1.16	537,000	537,000
September 27, 2014	$ 0.78	225,000	225,000	$ 0.78	3,100,000	3,100,000
January 4, 2015	$ 0.45	200,000	200,000	$ -	-	-
May 28, 2015	$ 0.20	2,575,000	2,575,000	$ -	-	-
July 3, 2020	$ 0.11	7,635,000	7,635,000	$ -	-	-
		11,285,000	11,285,000		9,566,143	8,551,572

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

The Company uses the fair value method for determining share-based payments for all options granted. The fair value was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

For the nine months ended July 31,	**2013**	**2012**
Expected life (years)	5.7	2.0
Interest rate	1.16%	1.00%
Volatility	74.84%	55.24%
Dividend yield	0.00%	0.00%

Share-based payment charges for the nine months ended July 31, 2013 totalled $671,036 (2012 - $2,433,203), allocated as follows:

For the nine months ended July 31,		**2013**		**2012**
Consulting fees	$	227,154	$	43,431
Investor relations		37,644		179,975
Professional fees		15,464		140,047
Salaries and benefits		390,774		2,069,750
	$	671,036	$	2,433,203

The weighted average fair value of options granted during the nine months ended July 31, 2013 was $0.14 (October 31, 2012 - $0.32).

8. RELATED PARTY TRANSACTIONS

(a) Management Compensation

During the nine months ended July 31, 2013 and 2012, the Company incurred the following expenses to CEO, CFO, COO and Directors:

For the nine months ended July 31,		**2013**		**2012**
Wages and benefits	$	972,204	$	759,167
Share-based payments	$	253,599	$	741,000
	$	1,225,803	$	1,500,167

(b) Transactions with related parties

During the nine months ended July 31, 2013 and 2012, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

		2013		**2012**
Consulting fees	$	186,000	$	195,000
Professional fees	$	72,799	$	66,875

Professional fees include amounts paid to a law firm of which an officer is a shareholder.

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (Continued)

(c) Due from related parties

Amounts due from related parties are for rent, administration and office expenses, and comprised as follows:

		July 31, 2013		October 31, 2012
Unsecured promissory notes, 1% per annum, due the earlier of 30 days after demand or the due date, if applicable:				
Indico	$	254,981	$	198,239
Wealth		41,507		-
Abzu Gold		-		230,606
Others		118,685		94,767
	$	415,173	$	523,612

These related party transactions have been measured by the exchange amount, which is the amount agreed upon by the transacting parties. As of July 31, 2013, Abzu Gold was no longer considered a related party.

9. GEOGRAPHIC SEGMENTED DATA

The Company operates in one industry segment, the mineral resources industry, and in six geographical segments, Canada, United States, Ghana, Peru, Mexico, and Argentina. The significant asset categories identifiable with these geographical areas are as follows:

	July 31, 2013							
		Canada		Ghana		Others		Total
Exploration and evaluation assets	$	81,039,868	$	-	$	-	$	81,039,868
Cash		686,266		25,473		110,768		822,507
Resource related investments		567,588		-		-		567,588
Others		6,920,008		381,204		404,616		7,705,828
Total Assets	$	89,213,730	$	406,677	$	515,384	$	90,135,791
Total liabilities	$	9,923,721	$	455,323	$	95,695	$	10,474,739

	October 31, 2012							
		Canada		Ghana		Others		Total
Exploration and evaluation assets	$	73,116,935	$	11,436,626	$	3,770,227	$	88,323,788
Cash		1,982,818		638		159,043		2,142,499
Resource related investments		2,571,811		-		-		2,571,811
Others		12,069,588		413,254		780,502		13,263,344
Total Assets	$	89,741,152	$	11,850,518	$	4,709,772	$	106,301,442
Total liabilities	$	7,575,759	$	1,224,107	$	274,897	$	9,074,763

	For the Nine Months Ended July 31, 2013							
		Canada/US		Ghana		Others		Total
Interest expenses	$	608,512	$	-	$	-	$	608,512
Depreciation	$	145,112	$	32,861	$	-	$	177,973
Net loss	$	(12,433,688)	$	(13,027,238)	$	(390,721	$	(25,851,647

(Expressed in Canadian Dollars)

9. GEOGRAPHIC SEGMENTED DATA (Continued)

	For the Nine Months Ended July 31, 2012			
	Canada/US	Ghana	Others	Total
Interest revenue, net of bank charges	$ 151,378	$ -	$	$ 151,37
Depreciation	$ 255,658	$ 19,777	$	$ 275,43
Net income (loss)	$ 1,519,748	$ (369,518)	$ (857,03	$ 293,20

10. SUPPLEMENTAL CASH FLOW INFORMATION

For the Nine Months Ended July 31,	2013	2012
Supplemental Cash Flow Information		
Accounts payable related to property expenditure	$ 3,336,239	$ 3,837,000
Accounts receivable related to property expenditure	$ -	$ -
Shares issued for finder's fee (note 6 (a))	$ 47,973	$ 450,000
Shares issued for property acquisitions (note 6 (a))	$ 203,000	$ -
Shares issued for short-term loan (note 6 (a))	$ 420,000	$ -
Income taxes paid	$ -	$ -

11. SUBSEQUENT EVENTS

Subsequent to July 31, 2013:

(a) On August 9, 2013 the company completed a private placement of senior secured notes ("Notes") in the aggregate principal amount of US$5.7-million with entities controlled by Robert C. Kopple of Los Angles, California, USD ("Lenders"). The net proceeds of the notes were used to pay the indebtedness owing to Luxor immediately following closing.

Notes in the amount of US$3.7-million are due no later than December 31, 2013, while US$2-million of the notes will be due on August 8, 2014. Interest will accrue at the rate of 10 per cent per year payable quarterly. The notes are secured by a general security agreement over the assets of the Company, as well as a specific pledge of the shares of Cardero. Cardero Coal also provided a corporate guarantee. The notes may be redeemed by the Company at any time at par plus accrued interest. Should there be a change of control of the Company or Cardero Coal while the notes remain outstanding, other than a change of control caused by the Lenders or their associates or affiliates, the holders of the notes will have the right to put the notes to the Company for an amount equal to 110 per cent of par plus accrued interest.

As additional consideration for purchasing the notes, the Lenders were issued transferrable warrants to purchase an aggregate of 28,359,066 common shares of the Company. The warrants have a term of seven years, and are exercisable at a price of 9.5 cents. The warrants, and any shares issuable on the exercise thereof, will be subject to a hold period in Canada of four months from the date of issuance, plus additional restrictions under United States securities laws. Assuming the full exercise of the warrants, the Lenders, together with their associates and affiliates, and including their current shareholdings (but excluding any additional common shares which may be purchased by them), would then hold approximately 21.763% of the Company's then-issued shares (assuming no other share issuances by the Company in the meantime). As this exercise of warrants represents a potential change of control, the Company has agreed, upon request by the Lenders, to seek shareholder approval to the full exercise of the warrants and potential change of control arising therefrom. Until such time as the shareholders may approve such change of control, the warrants may not be exercised if any such exercise would result in the holdings of the Lenders (and their associates or affiliates) going over 19.99%.